

An Analysis of Financial Aid Issues in Tennessee

Tennessee Higher Education Commission

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Financial aid disparities are one of the primary barriers to Tennessee remaining competitive with its peers in terms of economic development, educational attainment, employment opportunities, and an elevated standard of living for the state's citizens.

Recent statewide policy and budgetary developments in Tennessee have focused the attention of policymakers on mechanisms to increase participation in public higher education. As noted in *Investing in People: Tennessee's Commitment to 21st Century Education Excellence* (1999), financial aid disparities are one of the primary barriers to Tennessee remaining competitive with its peers in terms of economic development, educational attainment, employment opportunities, and an elevated standard of living for the state's citizens. Research has clearly demonstrated that investments in education represent the primary means of social and economic mobility critical to today's society.

The current budgetary uneasiness that afflicts Tennessee has created a troubling paradox for public higher education. As state appropriations have wavered, institutions have increasingly relied upon tuition and fees to cover the base general operating costs required for post-secondary education. This condition adversely impacts the ability of higher education to provide the resources needed to improve the human capital stock of society (Curtin and Nelson, 1999). From a campus perspective, declining state appropriations leads to a destabilization of institutional budgets unless other revenue streams are found. Increasing the institutional reliance upon grant and contract work to raise revenues is one possibility, but the biggest share of the "revenue crunch" is passed on to students via increases in tuition and fees (Leslie and Slaughter, 1997). Students and their families are forced to weigh the present costs of college, including tuition levels and deferred income, against the future economic benefits of the degree.

This trend is problematic because for each \$1,000 increase in tuition, overall enrollment has been shown to decline by two percentage points (Heller 1999). Research has demonstrated that rising college costs and decreases in financial aid are especially stressful for minority and low-income student participation in higher education. Specifically, a \$1000 increase in tuition can generate an enrollment decrease of as much as 18 percent for some minority groups.

National Association of State Student Grant and Aid Programs (NASSGAP) annually provides benchmarks by which researchers and practitioners can evaluate state commitments to financial aid programs. In a recent NASSGAP report it was noted that during 1997-98 Tennessee awarded slightly more than \$20 million in need and merit based aid, compared to the national average per state of more than \$67 million. Table 1 demonstrates the mix of total grant aid for Tennessee and national entities.

Table 1: 1997-98 Total State Level Grant and Aid					
	UG Need	Grad Need	UG Merit	Grad Merit	Total
Tennessee Total	\$20,648,000	-	\$851,000	\$132,000	\$21,631,000
National Total	\$2,945,717,000	\$22,781,000	\$667,996,000	\$49,747,000	\$3,686,242,000
National Average	\$58,914,000	\$455,620	\$13,359,000	\$994,940	\$ 73,723,560
Source: National Assoc. of State Student Grant & Aid Programs, 1997-98 Annual Survey Report					

One of the dangers of making national comparisons is that such comparisons often do not account for population variations from state to state. After adjusting the data to account for population, Tennessee distributes approximately \$4 per resident in financial aid compared to the national per resident average of \$11 (Table 2). Tennessee also falls far behind national averages in aid per resident aged 18-24 and per undergraduate FTE.

Table 2: 1998-99 Aid Dollars per Various Demographics				
		Amount	Rank	
Tenn. per Resident		\$4	29	
National per Resident		\$11	--	
Tenn. per Resident (18-24 yrs old)		\$41	30	
National per Resident (18-24)		\$118	--	
Tenn. per Undergraduate FTE		\$139	29	
National per Undergraduate FTE		\$397	--	
Source: National Assoc. of State Student Grant & Aid Programs, 1998-99 Annual Survey Report				

Tennessee also lags behind her regional peers with respect to the average student financial aid award. In an attempt to gauge regional comparisons, data for the 16 member states of the Southern Regional Education Board (SREB) were extracted from the NASSGAP report. SREB comparisons are commonly used by policymakers in Tennessee because of the similarity among member states. Table 3 provides a comparison of Tennessee and other SREB states in the 1998-99 total need and merit based aid. The tables show data including and excluding Georgia, because that state's much publicized HOPE Scholarship program can skew averages among the states. Even with the removal of the Georgia data, Tennessee is only awarding one-half of the aid that our neighboring states are offering on average to their students.

Table 3: State Grant Totals Relative to Peer States				
		92-93	97-98	98-99
Tennessee		\$15,099,000	\$21,349,000	\$21,630,000
SREB Average with Georgia		\$22,190,933	\$52,797,067	\$59,040,000
SREB Average without Georgia		\$22,023,857	\$41,625,429	\$45,200,000
National Average		\$45,018,220	\$67,784,680	\$73,724,000
Source: National Assoc. of State Student Grant & Aid Programs, 1998-99 Annual Survey Report				

Table 4: Change in Student Aid Levels				
		92-93	98-99	Percent Change
Tennessee		\$15,099,000	\$21,630,000	43%
SREB Totals with Georgia		\$332,864,000	\$944,560,000	184%
SREB Totals without Georgia		\$308,334,000	\$723,210,000	135%
National Totals		\$2,250,911,000	\$3,686,242,000	64%
Source: National Assoc. of State Student Grant & Aid Programs, 1998-99 Annual Survey Report				

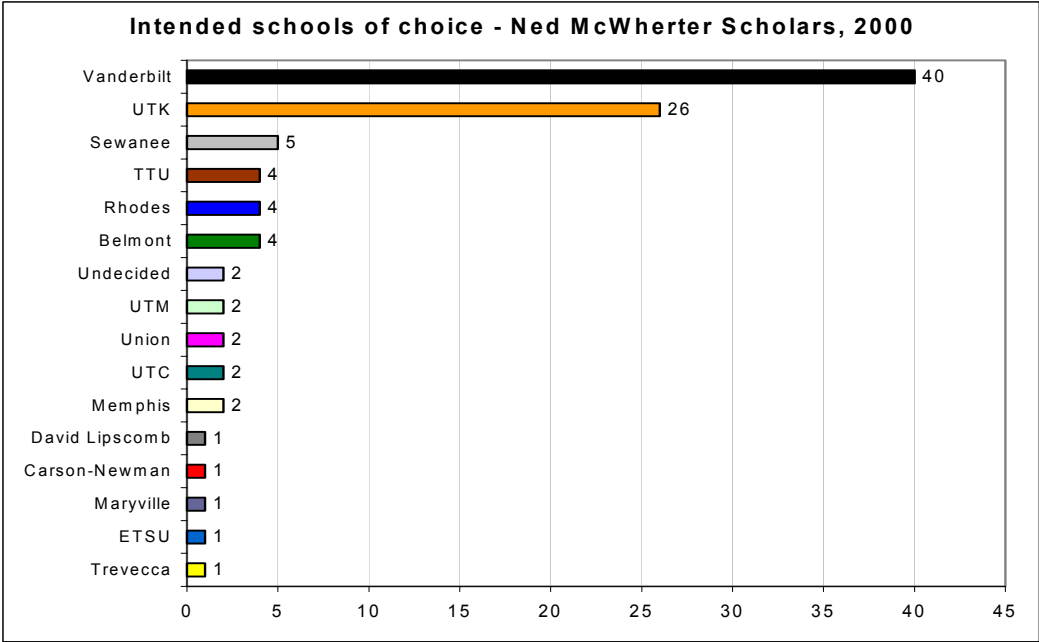
The last several years have produced sizeable increases across the country in the availability of state level student aid. From 1992-93 to 1998-99, Tennessee experienced a 43 percent increase in total aid from state allocations. Nationally, states have appropriated 64 percent more aid dollars over that same period of time. Removing Georgia from the analysis, the SREB states have well outpaced Tennessee by increasing aid to need and merit programs by 135 percent. Not only is Tennessee's current commitment to financial aid less than that of neighboring states and the country at large, but the rate of increase in those same states will make it almost impossible to "catch-up" at the current level of commitment in Tennessee.

The Ned McWherter Scholars Program

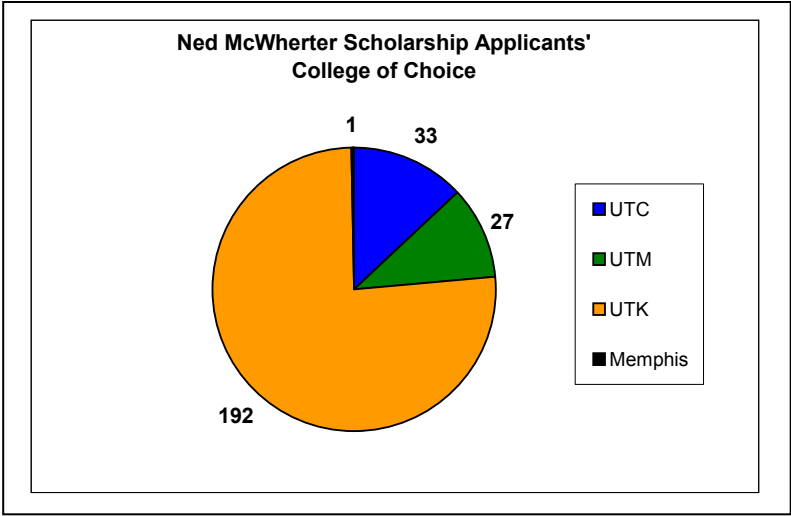
Ned McWherter Scholars program is a highly competitive, merit-based scholarship program funded and operated by the state of Tennessee. Entering freshmen with a 3.5 high school GPA and a standardized test score in the top 5 percent nationally (29 ACT, 1280 SAT) are eligible for a scholarship of up to \$6,000 annually to be used at any eligible Tennessee post-secondary institution, public or private. The Tennessee Student Assistance Corporation awards 50 grants each year.

In 2000, high school guidance counselors and other administrators nominated 903 Tennessee public and private high school students for the awards. Last year, 98 students were selected as award winners or as alternates for the scholarship of which 50 were chosen as winners. These students carried an average GPA of 3.96 and an average ACT score of 32.8.

The following charts disaggregate the two populations shown above. A student may appear in both lists by being selected as a McWherter winner and attending a Tennessee public institution. However, not all students appear in both sub-populations. For instance, a student awarded a McWherter scholarship could attend a private school and thus not appear in public enrollment records. The following chart displays the stated school of choice for 2000 McWherter Scholars. The school of choice was designated on the application for the scholarship. This is not necessarily the actual school that applicants eventually attended.



Of the 903 students who applied for the McWherter scholarship, the Tennessee Higher Education Commission was able to match 253 students from public college and university enrollment data for fall 2000. In other words 253 out of the 903 (28%) attended a Tennessee public institution of higher education in the fall of 2000. The rest either attended an out of state institution, a Tennessee private school, or chose not to attend any institution in fall 2000. The following chart shows where the 253 students who elected to attend a Tennessee public university enrolled.



Tennessee Student Assistance Grant Program

Table 6 provides an overview of student enrollment in Tennessee post-secondary institutions for 1999-00 and the distribution of TSAC awards and funds. Private independent institutions enrolled 16.69 percent of TSAA recipients (4,216 students) and 38.87 percent of TSAC funds. In all, over \$42 million dollars were awarded to Tennessee students to pursue post-secondary educational opportunities.

Table 6: Tennessee Student Assistance Awards, 2000-01

Category of Institutions	Fall 2000 Undergraduate Enrollment	Number of Awards	% Receiving Awards	% of Total Awards	Total Amount of Awards	% of Total Amount	Average Award
Independent Institutions	40,274	4,216	10.47%	16.69%	\$15,252,874	38.87%	\$3,618
Public Two-Year	73,850	8,502	11.51%	23.05%	5,720,694	8.94%	673
Public four-year	94,968	13,203	13.90%	52.75%	18,229,650	47.47%	1,381
Technology Centers	35,099	2,017	5.75%	3.21%	779,700	0.59%	387
Other		1,527		4.30%	2,576,576	4.13%	1,687
Totals - as of 01/12/2001		29,465		100.00%	\$42,559,494	100.00%	\$1,444

Although the data above represents an earnest effort on the part of Tennessee to provide financial assistance, significant numbers of eligible Tennesseans are denied assistance each year because of the chronic under-funding of the TSAC grant program. For Fall 1999 semester, 13,292 students who were eligible for TSAC grants did not receive assistance because of a lack of funding. This target population represents those students who were qualified to receive TSAC need-based grants but were not served because of a general lack of state funding during the fiscal year. Of the 13,292 students who were not served by TSAC, an estimated 70 percent had a combined family income below \$19,999. Furthermore, over 7,600 of these students who were denied aid had an Expected Family Contribution of zero.

These students represent groups historically denied access to higher education and those citizens who as a group stand to benefit the most from an advanced degree. College expenses, most notably maintenance fees and tuition, continue to outpace increases in median family income and average cost of living. Due to these increases in fees, participation rates are sure to be influenced as students and their families weigh the present costs of college against the future benefits of a degree. Tuition and fees at Tennessee's four-year schools require 7.7 percent of the state's median household income, a figure that is above the SREB average. This demand on family income is especially burdensome to the citizens in Tennessee's poorest counties.

Table 7: Relationship of Tuition and Fees to Median Income

	Median Income 1998	Average 4-yr Fees	Average 2-yr Fees	4-Year Fees % of Income	2-Year Fees % of Income
SREB States	\$34,734	\$2,469	\$1,140	7.1%	3.3%
Tennessee	\$32,602	\$2,509	\$1,237	7.7%	3.8%
TN's 47 Poorest Counties	\$24,807	\$2,509	\$1,237	10.1%	5.0%
*Source Tuition Figures: SREB Factbook 1998/99					
*Source Income: Census, CPS 1998 (States) and Census, CPS 1995 (Counties)					

Conclusions

If the state of Tennessee is to realize the full potential of its human capital, segments of the population that have been historically under-served must not be ignored. Participation and retention barriers litter the landscape of these students' futures in higher education and compromise their entry into the workforce. Whether seen in increases in work activity while enrolled, disproportional student loan burdens, or extended time to degree, the lack of commitment to student grant programs has far-reaching consequences. Higher education continues to be one of the central keys to opening the door to prosperity and individual self-actualization. Seen as an investment

rather than a cost, postsecondary budgeting and increased allocations to financial aid represent some of the most prudent means to improve the human capital stock of Tennessee's citizenry.

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